



July 17, 2013

Dr. Larry McCullough  
President  
Laurel University  
1215 Eastchester Drive  
High Point, NC 27265-3197

UPS Tracking # 1ZA5467Y0192702312

Re: **Program Review Report**  
OPE ID: 00293500  
PRCN: 2012-4-04-28026

Dear Dr. McCullough:

The U.S. Department of Education's (Department's) School Participation Team--Division, issued a program review report on December 31, 2012 covering Laurel University's (LU) administration of programs authorized by Title IV of the Higher Education Act of 1965, as amended, 20 U.S.C. §§ 1070 et seq. (Title IV, HEA programs), for the 2010-2011 and 2011-2012 award-years. LU's final response was received on April 4, 2013. A copy of the program review report (and related attachments) and LU's response are attached. Any supporting documentation submitted with the response is being retained by the Department and is available for inspection by LU upon request. Additionally, this Final Program Review Determination (FPRD), related attachments, and any supporting documentation may be subject to release under the Freedom of Information Act (FOIA) and can be provided to other oversight entities after this FPRD is issued.

**Purpose:**

Final determinations have been made concerning all of the outstanding findings of the program review report. The purpose of this letter is to: (1) identify liabilities resulting from the findings of this program review report, (2) provide instructions for payment of liabilities to the Department, (3) notify the institution of its right to appeal.

The total liabilities due from the institution from this program review are \$1,114.

This final program review determination contains detailed information about the liability determination for all findings.

### **Protection of Personally Identifiable Information (PII):**

PII is any information about an individual which can be used to distinguish or trace an individual's identity (some examples are name, social security number, date and place of birth). The loss of PII can result in substantial harm, embarrassment, and inconvenience to individuals and may lead to identity theft or other fraudulent use of the information. To protect PII, the findings in the attached report do not contain any student PII. Instead, each finding references students only by a student number created by Federal Student Aid. The student numbers were assigned in Appendix A, Student Sample.

### **Appeal Procedures:**

This constitutes the Department's FPRD with respect to the liabilities identified from the December 31, 2012 program review report. If LU wishes to appeal to the Secretary for a review of financial liabilities established by the FPRD, the institution must file a written request for an administrative hearing. Please note that institutions may appeal financial liabilities only. The Department must receive the request no later than 45 days from the date LU receives this FPRD. An original and four copies of the information LU submits must be attached to the request. The request for an appeal must be sent to:

Ms. Mary E. Gust, Director  
Administrative Actions and Appeals Service Group  
U.S. Department of Education  
Federal Student Aid/PC  
830 First Street, NE - UCP3, Room 84F2  
Washington, DC 20002-8019

LU's appeal request must:

- (1) indicate the findings, issues and facts being disputed;
- (2) state the institution's position, together with pertinent facts and reasons supporting its position;
- (3) include all documentation it believes the Department should consider in support of the appeal. An institution may provide detailed liability information from a complete file review to appeal a projected liability amount. Any documents relative to the appeal that include PII data must be redacted except the student's name and last four digits of his / her social security number (please see the attached document, "Protection of Personally Identifiable Information," for instructions on how to mail "hard copy" records containing PII); and
- (4) include a copy of the FPRD. The program review control number (PRCN) must also accompany the request for review.

If the appeal request is complete and timely, the Department will schedule an administrative hearing in accordance with § 487(b)(2) of the HEA, 20 U.S.C. § 1094(b)(2). The procedures followed with respect to LU's appeal will be those provided in 34 C.F.R. Part 668, Subpart H. **Interest on the appealed liabilities shall continue to accrue at the applicable value of funds rate, as established by the United States Department of Treasury, or if the liabilities are for refunds, at the interest rate set forth in the loan promissory note(s).**

**Record Retention:**

Program records relating to the period covered by the program review must be retained until the later of: resolution of the loans, claims or expenditures questioned in the program review; or the end of the retention period otherwise applicable to the record under 34 C.F.R. §§ 668.24(e)(1), (e)(2), and (e)(3).

If the institution has any questions regarding this letter, please contact David Smittick at 404-974-9301. Questions relating to any appeal of the FPRD should be directed to the address noted in the Appeal Procedures section of this letter.

Sincerely,

(b)(6)

Charles L. Engstrom  
Division Director

Enclosure:  
Protection of Personally Identifiable Information

cc: Shirley P. Carter, Financial Aid Administrator  
North Carolina Board of Governor of the University of North Carolina  
Ronald C. Kroll-Director-Association For Biblical Higher Education

Prepared for  
**Laurel University**

**Federal Student Aid**  
AN OFFICE of the U.S. DEPARTMENT of EDUCATION

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OPE ID 00293500  
PRCN 2012-4-04-28026

Prepared by  
**U.S. Department of Education**  
**Federal Student Aid**  
**School Participation Division - Atlanta**

# Final Program Review Determination

## July 17, 2013

Federal Student Aid, Atlanta School Participation Division  
61 Forsyth Street, Suite 18T40  
Atlanta, Georgia 30303-8918

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**A. Institutional Information**

Laurel University  
1215 Eastchester Drive  
High Point, NC 27265-3197

Type: Private, Non Profit

Highest Level of Offering: Master's or Doctorate Degree

Accrediting Agency: Association For Biblical Higher Education

Current Student Enrollment: 236 (2011-2012)

% of Students Receiving Title IV: 84% (2011-2012)

Title IV Participation : National Student Loan Data System (NSLDS)

2010-2011 Award Year

Federal Pell Grant Program (FPELL)	\$ 419,712
Academic Competiveness Grant (ACG)	\$ 750
Federal Family Educational Loan Program (FFELP)	\$1,080,611
Federal Supplemental Educational Opportunity Grant (FSEOG)	\$ 10,360
Federal Work Study (FWS)	\$ 8,652

Default Rate FFEL/DL:	2010	3.3%
	2009	2.2%
	2008	2.6%

## **B. Scope of Review**

The U.S. Department of Education (the Department) conducted a program review at Laurel University (LU) from August 20, 2012 to August 24, 2012. The review was conducted by David Smittick and Robert Scott.

The focus of the review was to determine LU's compliance with the statutes and federal regulations as they pertain to the institution's administration of Title IV programs. The review consisted of, but was not limited to, an examination of LU's policies and procedures regarding institutional and student eligibility, individual student financial aid and academic files, attendance records, student account ledgers, and fiscal records.

A sample of 30 files was identified for review from the 2010-2011 and 2011-2012 (year to date) award years. The files were selected randomly from a statistical sample of the total population receiving Title IV, HEA program funds for each award year. In addition, 3 files were selected based on the Federal Work Study (FWS) program. Appendix A lists the names and partial social security numbers of the students whose files were examined during the program review.

### **Disclaimer:**

Although the review was thorough, it cannot be assumed to be all-inclusive. The absence of statements in the report concerning LU's specific practices and procedures must not be construed as acceptance, approval, or endorsement of those specific practices and procedures. Furthermore, it does not relieve LU of its obligation to comply with all of the statutory or regulatory provisions governing the Title IV, HEA programs.

## **C. Findings**

During the review, several areas of noncompliance were noted. Findings of noncompliance are referenced to the applicable statutes and regulations and specify the actions to be taken by LU to bring operations of the financial aid programs into compliance with the statutes and regulations.

### **Findings with Final Determinations**

The program review report findings requiring further action are summarized below. At the conclusion of each finding is a summary of LU's response to the finding, and the Department's final determination for that finding. A copy of the program review report issued on December 31, 2012 is attached as Appendix B.

### **Finding 1: Verification Violations**

**Citation:** 34 C.F.R. § 668.56 states an institution is responsible for verifying the information that is used to calculate an applicant's Expected Family Contribution (EFC) as part of the determination of need for student financial assistance. Information is verified by securing additional documentation or, in some cases, a signed statement attesting to the accuracy of the information provided.

Federal regulations 34 C.F.R. § 668.16(f) also requires an institution to verify discrepancies in information received from different sources regarding a student's application for financial aid under the Title IV programs.

**Noncompliance:** During the course of the review, several student files contained conflicting information. Student #28, a married, independent student was selected for verification during the 2010-2011 award-year<sup>1</sup>. The student's Institutional Student Information Record (ISIR) indicated he was married at the time of application and during the 2010 calendar year. The student submitted 2010 federal income tax returns as head of household. The student also completed the verification worksheet acknowledging his marital status and household size. Student #28 submitted his wife's 2010 federal tax returns that also identified her as head of household. Student #28 received \$13,050 in Title IV, HEA program funds (\$5,550 FPELL, \$3,500 subsidized and \$4,000 unsubsidized loan funds).

Student #8, a married independent student was selected for verification during the 2010-2011 award-year. The institution failed to correct number of household members in college on the student's ISIR. Student #8 listed two (2) in college on her ISIR, however, her verification worksheet list one (1) in college. Additionally, the institution completed a comparison of the student's ISIR with the supporting documents submitted by the student through the Central Processor System (CPS). The CPS worksheet also captures one in college and clearly indicates a difference in the "number in college" field. Student #8 received \$5,450 in Title IV, HEA program funds (\$2,700 FPELL Grant funds, \$1,750 subsidized and \$1,000 unsubsidized loan funds).

Student #17, a married independent student was selected for verification during the 2011-2012 award-year. The institution failed to correctly identify the number of household members in college. For example, the student listed four (4) in college on his ISIR, however, his verification worksheet list three (3) in college. Student #17 received \$1,075 in FPELL Grant funds for the 2011-2012 award-year.

**Required Action Summary:** For student #28, the institution was required to either recalculate the student's need by using the correct marital status, household size and

<sup>1</sup> Student #28 is listed in the student sample for the 2011-2012 award-year. However, areas of non-compliance for this finding are identified for the prior award-year. The student answered "married" as of 5/2010 on his 2010-2011 Free Application For Federal Student Assistance (FAFSA).



number of dependents or provide documentation that at the time of application, the student was unmarried. If the student was married at the time of application, the institution should also have the student submit a corrected or amended federal tax return that reflects the correct filing status. If the institution believes the data to be correct for student #28, the institution was required to provide supporting documentation to the Department that supports its position. If the institution does not correct the data or otherwise provide documentation to support the data is correct that it used to determine the students need for Title IV assistance, the institution was advised that the amount disbursed on this student's behalf will have to be repaid to the appropriate Title IV, HEA program.

For student #8, the institution was required to recalculate the student's EFC using the correct household size and determine if any changes are required. If as a result of an EFC change the student's award is incorrect, the institution was advised it must provide the Department with the correct amount of aid the student should have received by program, i.e. FPELL, FDL subsidized or unsubsidized

For student #17, the institution was required to recalculate the student's EFC using the correct household size and determine if any changes are required. If as a result of an EFC change the student's award is incorrect, the institution was advised it must provide the Department with the correct amount of aid the student should have received by program, i.e. FPELL, FDL subsidized or unsubsidized

**LU's Response:** Student #28s file contained the 2010-2011 Verification worksheet instead of the 2011-2012 worksheet. The tax return and other documents were for the correct year. The student completed the 2011-2012 Verification worksheet, as well as providing the institution with an amended 2010 tax return. As a result, there were no changes to the student's EFC.

Student #8. The institution stated that they believed the number in college is correct even though the staff failed to follow through with correcting the student's ISIR to agree with the Verification worksheet provided by the student. Both the husband and wife were contacted after the program review and verified that the correct number in college at the time of application was 2, which agrees with ISIR. A new Verification worksheet was completed to reflect the correct data. No change to the student's EFC.

Student #17. The institution concurs with this finding. The institution recalculated the student's EFC based on the correct number in college. The student's EFC changed to \$1,437 from \$1,202. The student was underawarded \$462.50 in FPELL Grant funds. This student is also cited in finding number 3 as an underaward.

The institution further stated that it has updated its policy and procedures. In addition, the institution has hired one additional staff person to assist with the verification process. LU will continue to provide ongoing training with its staff to insure a proper understanding of verification requirements.

**Final Determination:** No further action is required at this time. This finding is closed.

## **Finding 2: Federal Pell Grant (FPELL) Overaward**

**Citation:** 34 C.F.R. § 668.22(c) indicates the amount of Title IV, grant or loan assistance that is earned by the student is calculated by determining the percentage of Title IV, grant or loan assistance that is earned by the student, as described in paragraph (e)(2) of this section, and determining the percentage of Title IV grant or loan assistance that has been earned by the student as described in paragraph (e)(2) of this section.

Similarly, Federal regulation, 34 C.F.R. § 690.62 indicates the amount of a student's FPELL award for an academic year is based upon the payment schedule and disbursement schedules published by the Secretary for each award year.

The scheduled award is the maximum amount a student can receive during an award year for a given enrollment status, after considering the student's expected family contribution (EFC) and cost of attendance (COA).

**Noncompliance:** During the course of the review, several student files tested resulted in the students receiving FPELL Grant overawards. For example;

Student #19, an independent student during the fall 2011-2012 term was enrolled in 6 credit hours (half-time), but awarded and disbursed FPELL Grant funds as if her enrollment status was full-time (12 credit hours). Student #19's EFC was \$1,115, and she was eligible for \$1,100, but received \$2,200 in FPELL Grant program funds. This student was overawarded \$1,100 for the 2011-2012 award-year.

Student #30, a dependent student during the fall 2011-2012 term was enrolled three quarters time for both the fall and spring terms, but was awarded and disbursed FPELL Grant funds as if his enrollment status was full-time. Student #30's EFC was \$0, and he was eligible for \$4,162 in FPELL for the award year. LU awarded and disbursed \$5,550. LU overawarded this student \$1,388 in FPELL Grant funds.

**Required Action Summary:** In response, for student's 19 and 30, LU was required to provide supporting documentation to the Department that student #'s 19 and 30 either earned the FPELL disbursed, or if not, that the ineligible FPELL funds have been returned to the appropriate program. If Laurel University cannot provide supporting documentation that the students were eligible for the FPELL Grant funds, the institution was advised that it will be responsible for the overawards.

**LU's Response.** Student #19. The institution concurs that the student was overawarded \$1,100 in FPELL grant funds during the fall 2011-2012 academic year.

Student #30. The institution does not concur with this finding. LU stated that student #30

was fulltime for both fall and spring 2011-2012. The records in the Registrar's office, Financial Aid office and the Business office indicate the student was registered for 18.5 hours in fall 2011 and 12 hours in spring 2012. Due to medical complications, the student was unable to finish all the hours he registered for. The Registrar's office is investigating why the additional courses did not appear on the student's transcripts as hours attempted or why those course grades did not result in a F as there is no record of the student withdrawing from the courses. A copy of the registration form was provided along with the original billing statement showing the student was charged for all 18.5 hours registered for.

**Final Determination:** For student #19, LU is responsible for repayment of the overaward. No further action is required for student #30.

Instructions for repayment of this liability are included in the Repayment section of this report.

Note: Any additional costs to the Department, including interest, special allowances, cost of funds, unearned administrative cost allowance, etc., are not included in individual findings, but instead are included in the summary of liabilities table in Section D of the report.

### **Finding 3: FPELL Underaward**

**Citation:** Federal regulation, 34 C.F.R. § 690.62 indicates the amount of a student's FPELL award for an academic year is based upon the payment schedule and disbursement schedules published by the Secretary for each award year.

The scheduled award is the maximum amount a student can receive during an award year for a given enrollment status, after considering the student's expected family contribution EFC and cost of attendance (COA).

**Noncompliance:** During the course of the review, several student files tested resulted in the students receiving FPELL Grant overawards. For example;

Student #6, an independent student during the 2010-2011 award-year was enrolled full-time for the fall and spring terms and had an EFC of \$4,112. The student was eligible for \$1,400 in FPELL Grant funds according to the FPELL Grant schedule and his EFC. However, LU only awarded and disbursed \$1,200 for the award-year.

Student #17, a married independent student was enrolled three quarters time for the spring 2012 term. Based on his enrollment status and \$1,202 EFC, this student was eligible to receive \$1,612 for the term. However, LU disbursed \$1,075. LU underpaid the student \$537 in FPELL Grant funds.

**Required Action Summary:** In response to this report, LU was required to provide the Department with its current policy and procedures that explain how it will accurately calculate each Title IV recipient's award. Specifically, the institution must detail how it will recalculate federal aid for initial enrollment status and for enrollment statuses changes prior to any census dates the school may have.

**LU's Response:** As required, LU provided the Department with its revised and updated Policy and Procedures address the cited finding. The controls implemented to eliminate the occurrence of over and under awards in the FPELL program.

**Final Determination:** The Department has reviewed the update policy revisions. No further action is required of LU at this time.

#### **Finding 4: Credit Balance Deficiencies**

**Citation:** A Federal Student Aid (FSA) credit balance occurs whenever your school credits FSA program funds to a student's account and the total amount of those funds exceed the student's allowable charges. An institution must pay the resulting credit balance directly to the student or parent as soon as possible but no later than: See 34 C.F.R. § 668.164(e)

1. 14 days after the credit balance occurred if the credit balance occurred after the first day of class of a payment period; or
2. No later than 14 days after the first day of class of a payment period if the credit balance occurred on or before the first day of class of that payment period.

Similarly, a school is permitted to hold credit balances if it obtains a voluntary authorization from the student (or parent in the case of PLUS). If an institution has the authorization to hold credit balances, it must identify the amount of funds that it holds for the student or parent in a subsidiary ledger account designated for that purpose. Institutions must maintain at all times cash in its bank account at least equal to the amount it holds for students. See 34 C.F.R. § 668.165(b).

Because FSA funds are awarded to students to pay current year charges, notwithstanding any authorization from the student or parent, Institution's must pay:

1. Any remaining balance of FSA funds by the end of the loan period, and
2. Any other remaining FSA program funds by the end of the last payment period in the award period in the award year for which they were awarded.

**Noncompliance:** In several instances, the institution failed to timely pay credit balances. For example:

For student #2, LU disbursed Title IV, HEA program funds on February 10, 2011 that created a Title IV credit balance. However, LU did not pay the student credit balance

until March 14, 2011. There is no documentation of an authorization to hold credit balance in the student's file.

Student #12 received a FDL subsidized loan on January 28, 2011 for the spring term that created a credit balance of \$819. The institution did not pay the credit balance to the student. LU held the credit balance and applied it to the student's fall 2011 tuition charges on August 2, 2011.

Student #13 received a FDL (subsidized and unsubsidized loan funds) on April 12, 2010 for the spring term that created a Title IV credit balance of \$1,331.24. LU did not pay the credit balance to the student until May 27, 2010. Although LU recorded additional charges on the student's account ledger on May 3, 2010 for the summer term, the credit balance, without a valid authorization signed by the student or parent must be paid within 14 days of the date the credit balance was created. Pending charges for additional terms does not remove the institutions responsibility for timely paying credit balances created with Title IV, HEA program funds.

Student #18 received a unsubsidized FDL on May 9, 2012 for the summer 2012 term that created a Title IV, HEA credit balance of \$1,445. LU did not pay the credit balance to the student until June 12, 2012. There is no documentation of an authorization to hold credit balance in the student's file.

Student #22 received FDL subsidized and unsubsidized funds on June 16, 2011 for the summer 2010-2011 award year that created a \$4,078 credit balance. However, LU did not pay the credit balance to the student until August 9, 2011. The student subsequently was charged tuition for the fall 2011-2012 term. The student's loan period for summer term is May 1, 2011 to August 3, 2011. The credit balance should have been paid by the end of the loan period.

**Required Action Summary:** In response to this report, LU was required to provide the Department with its current policy and procedures that demonstrates how it will properly manage credit balances so that this finding does not appear in future audits or program reviews.

**LU's Response:** In its response, LU stated that it concurs with this finding and recommendation. The institution stated that the finding cited is not an irregularity of procedures, but rather an inadvertent failure of staff to follow them.

LU stated that in the 2010-2011 award year, it hired a Chief Fiscal Officer that implemented stronger controls to insure compliance with the regulations governing credit balances and has established stronger controls to better handle credit balances to students. The incidents of 2010-2011 decreased, and in 2011-2012, the two occurrences that were found was an oversight. The controls in place now eliminates the possibility of this finding re-occurring because credit balances are now processed within five business days of its creation.

**Final Determination:** The Department has reviewed LU's revised credit balance policy and procedures submitted as part of its response to this report. No further action is required at this time.

This finding is closed.

#### **Finding 5: Return To Title IV (R2T4) Not Made**

**Citation:** When a recipient of Title IV grant or loan funds withdraws from a school after beginning attendance, the amount of Title IV grant or loan assistance earned by the student must be determined. If the amount disbursed to the student is greater than the amount the student earned, unearned funds must be returned. See 34 C.F.R. § 668.22(a).

If a student earns a passing grade in one or more of his classes offered over an entire period for that class, an institution may presume that the student completed the course and thus completed the period. If a student who began attendance and has not officially withdrawn fails to earn a passing grade in at least one course offered over an entire period, the institution *must* assume, for Title IV purposes, that the student has unofficially withdrawn, unless the institution can document that the student completed the period.

Furthermore, DCL GEN-04-03, dated February 2004, specifically indicates that an institution must have a procedure for determining whether a Title IV recipient who began attendance during a period completed the period or should be treated as a withdrawal. Additionally, 34 C.F.R. § 668.22(c), General Requirements indicate that for a student who ceases attendance at the institution that is not required to take attendance, the student's withdrawal date is either the mid-point of the payment period (or period of enrollment), or a date the school determines that most accurately reflects when the student ceased academic attendance due to circumstances beyond the student's control.

**Noncompliance:** In once instance, for a student who failed to earn a passing grade in any classes attempted, the institution did not perform an R2T4 calculation. For example, student #9's transcript indicates she attempted 12 credit hours for the fall 2011-2012 term. Student #9 failed to earn a passing grade in any courses attempted. LU refunded \$3,513 in subsidized FDL and \$6,996 in unsubsidized loan funds. However, LU could not provide reviewers with an R2T4 calculation.

**Required Action Summary:** In its response to this report, LU was required to provide the Department with the R2T4 calculation that it used to determine the correct amount of unearned funds have been returned to the appropriate Title IV program. If LU did not or was not required to perform a refund calculation, the institution was required to provide documentation to support that no refund calculation was required for this student. If additional funds are due back as a result of the R2T4 calculation, the institution was advised provide that documentation in its response.

**LU's Response:** The institution determined that student #9 did not officially or unofficially withdraw from classes and therefore earned the grade of "F" in each class. The institution verified that the student completed 61 percent of the payment period and at least 1 percent of the class work. Based on the attached online tracking data on this student, the student was enrolled and completing a percentage of the course online and in continuous contact with his instructor. Additionally, the institution stated, while we did not complete an R2T4, the institution did return funds to specific programs.

**Final Determination:** This finding is closed.

#### **Finding 6: Discrepancies in Common Origination and Disbursement Records**

**Citation:** 34 C.F.R. § 668.24(c), Student Assistance General Provisions, states the records that an institution must maintain in order to comply with the provisions of this section include, but are not limited to, the date and amount of each disbursement or delivery of grant or loan funds, and the date and amount of each payment of Federal Work Study wages.

Similarly, 34 C.F.R. § 690.83 requires institutions to submit a student's payment data (including disbursement dates) to the Secretary by the reporting deadlines published in the Federal Register. Institutions are required to submit Federal Pell Grant and/or Federal Direct Loan disbursement records to the Department's Common Origination and Disbursement (COD) system no later than 30 days after making a disbursement or becoming aware of the need to adjust a student's previously reported disbursement. The disbursement date is the date that the institution:

- (a) Credits funds to a student's account, or;
- (b) Pays funds to a student directly

Refer to the 2010-2011 COD Technical Reference for the most recent reporting deadlines and requirements.

**Noncompliance:** During the review, several instances of noncompliance were noted regarding COD disbursement dates not in agreement with disbursement dates recorded on the student's account ledgers. For example, for students #'s 1, 2, 3, 4, 10, 13, 14, 15, 16, LU failed to reconcile COD disbursement dates with the student's account ledger. Please refer to the chart below for more detailed data.

Student #	Program	Disbursement	COD Disbursement Date	Student Account Ledger Disbursement Date
1	FDL sub	\$2,737	9/21/10	11/17/10
	FDL unsub	\$2,985	9/22/10	11/17/10
	FPELL	\$2,062.50	01/28/11	01/03/11
2	FPELL	\$2,775	01/06/11	02/10/11
	FDL sub	\$ 871	01/06/11	02/10/11
	FDL unsub	\$ 995	01/06/11	02/10/11
3	FDL sub	\$2,485	02/17/11	03/03/11
4	FDL sub	\$2,737	09/30/10	11/17/10
	FDL unsub	\$2,985	09/30/10	11/17/10
10	FPELL	\$2,775	08/16/10	09/23/10
13	FDL sub	\$1,742	01/26/11	03/03/10
14	FDL sub	\$2,737	08/26/10	10/13/10
	FDL unsub	\$3,483	09/10/10	10/13/10
15	FPELL	\$2,450	08/16/10	09/09/10
16	FDL sub	\$ 498	05/14/12	06/05/12
	FDL sub	\$ 498	05/21/12	06/28/12

**Required Action Summary:** Because this finding is material in nature<sup>2</sup>, LU was required to review the disbursement dates for all Title IV recipients for the 2010-2011 and 2011-2012 award years and determine if it incorrectly reported disbursement dates to COD and on its student account ledgers. The institution must correct incorrectly reported dates in COD and provide the results to the Department.

**LU's Response:** LU agrees with this finding and recommendations. LU has strengthened its controls in both the Financial Aid Office and Business Office to eliminate the occurrence of incorrect reporting of disbursement dates in COD.

LU has reviewed and corrected all dates in COD for the 2010-2011 and 2011-2012 award-years to agree with the ledger disbursement dates and attached an Excel Spreadsheet that identifies the corrections.

<sup>2</sup> A finding is considered material in nature when 10% or more of the sample tested resulted in errors. The reviewers sampled 30 students with 8 errors for this finding, resulting in a 13.33% error rate.



**Final Determination:** The Department has received and reviewed LU's revised COD policy and procedures as well as the Excel Spreadsheet. Based on the data received, this finding is closed.

#### **Finding 7: Satisfactory Academic Progress (SAP) Not Monitored**

**Citation:** 34 C.F.R. § 668.16(e) of the Student Assistance General Provisions regulations stipulates, in part, that an institution must establish, publish and apply reasonable standards for measuring whether a student, who is otherwise eligible for aid under any Title IV program is maintaining satisfactory progress in his or her course of study. The standards for a student enrolled in an eligible program who is to receive assistance under a Title IV program are to be the same as or stricter than the institution's standards for a student enrolled in the same academic program who is not receiving assistance under a Title IV program. The standards of satisfactory progress must include the following elements: grades, work projects completed or comparable factors which are measurable against the norm (Qualitative Standard) and a maximum time frame in which the student must complete his or her educational objective, degree, or certificate (Quantitative Standard). This time frame must be determined by the institution, based on the student's enrollment status, and divided into increments, not to exceed one academic year. At the end of each increment, the institution must determine whether the student has successfully completed a minimum percentage of work toward his or her educational objective degree, or certificate for all increments completed.

Federal regulations require an institution to consistently apply its SAP standards to all students within categories of students (i.e., full-time, part-time, undergraduate and graduate students, and educational programs established by the institution). The school must determine, prior to disbursing Title IV funds, if a student is meeting satisfactory progress standards. See 34 C.F.R. § 668.16(e), 668.32(f) and 668.34.

**Noncompliance:** In several instances, LU failed to adequately apply its standards of academic progress. The institution's published SAP standards state that a student must meet both qualitative and quantitative standards to continue progressing towards graduate. Students who fail to earn a grant point average of 2.0 (qualitative standard) will be placed on academic probation for the following semester. During the semester in which the student is on academic probation, the student must achieve a 2.0 grade point average. Failure to achieve a grade point average while on probation will result in termination of enrollment.

For example, student #3 enrolled during the 2010-2011 award year, and failed to maintain minimum SAP standards for the fall, spring and summer terms. This student's grade point average (GPA) are as follows: fall 2010 term .64 GPA, spring 2011 term .69 GPA, summer 2011 term .33 GPA. While no FSA funds were disbursed for the summer 2011 term, reviewers did not find any indication that the student was placed on academic probation beginning with the summer 2011 term, or that the student was notified of his academic standing.

**Required Action Summary:** LU had to strengthen its procedures and provide assurances to the Department that it will consistently apply its standards to all students.

**LU's Response:** In its response, LU stated that it has updated its policy and procedures that address this finding. In part, LU stated that its controls put in place are:

1. Schedule SAP training for staff involved to ensure implementation of the revised policy and standards.
2. Share the policy with all academic advisors, faculty and SAP committee members for further adherence to the procedures.

**Final Determination:** The Department has reviewed LU's SAP procedures and forms. Based on the submission, this finding is closed.

#### **Finding 8: SAP Not Adequately Developed**

**Citation:** 34 C.F.R. § 668.16(e) of the Student Assistance General Provisions regulations stipulates, in part, that an institution must establish, publish and apply reasonable standards for measuring whether a student, who is otherwise eligible for aid under any Title IV program is maintaining satisfactory progress in his or her course of study. The standards for a student enrolled in an eligible program who is to receive assistance under a Title IV program are to be the same as or stricter than the institution's standards for a student enrolled in the same academic program who is not receiving assistance under a Title IV program. The standards of satisfactory progress must include the following elements: grades, work projects completed or comparable factors which are measurable against the norm (Qualitative Standard) and a maximum time frame in which the student must complete his or her educational objective, degree, or certificate (Quantitative Standard). This time frame must be determined by the institution, based on the student's enrollment status, and divided into increments, not to exceed one academic year.

At the end of each increment, the institution must determine whether the student has successfully completed a minimum percentage of work toward his or her educational objective degree, or certificate for all increments completed.

The maximum time frame allowed is 150% of the published length of an academic program. Each student must earn 2/3 of the minimum number of hours required for each academic year to complete a program in the normal length of time allowed.

An institution must establish a reasonable satisfactory academic progress policy for determining whether an otherwise eligible student is making satisfactory academic progress in his or her educational program and may receive assistance under the Title IV, HEA programs.

The policy specifies the pace at which a student must progress through his or her educational program to ensure that the student will complete the program within the maximum time-frame as defined in paragraph (b) of this section, and provides for measurement of the student's progress at each evaluation. See 34 C.F.R. § 668.34(a)(5)(i).

Federal regulations require an institution to consistently apply its SAP standards to all students within categories of students (i.e., full-time, part-time, undergraduate and graduate students, and educational programs established by the institution). The school must determine, prior to disbursing Title IV funds, if a student is meeting satisfactory progress standards. See 34 C.F.R. § 668.16(e), 668.32(f) and 668.34.

**Noncompliance:** In a Satisfactory Academic Progress Policy pamphlet made available to students by the institution, it states that "academic progress is evaluated once a year normally and sometimes at the end of each semester or student borrowers who are boarder line at the beginning of a term."

Similarly, based on our review of the school's records, it appears that the institution's quantitative standards are set at 50% completion rate per term. Literature at the institution suggested that it has established this policy when determining a student's quantitative standard.

**Required Action Summary:** As indicated the aforementioned regulatory citation, an institution must establish a reasonable satisfactory academic progress policy for determining whether an otherwise eligible student is making satisfactory academic progress in his or her educational program and may receive assistance under the Title IV, HEA programs. The institution must determine at what increment it will consistently check a student's SAP. This policy must be specific and not include terms such as "normally."

A SAP of only a 50% completion rate is not strict enough to ensure eligible students receive Title IV aid within the course of the maximum time frame permitted by 34 C.F.R. § 668.34(a)(5) (i) of the General Provisions. A student meeting qualitative standards (grades) is not required to complete a sufficient number of credits per term (quantitative standard) in order to graduate from his or her program within the 150% maximum timeframe.

In its response to this report, LU was required to provide supporting documentation of how and when it will review students SAP which does not contain vague statements such as "normally."

LU was required to revise the portion of its SAP Policy regarding the required completion of 50% of attempted hours. In general, to accurately measure a student's academic progress in a program more than a qualitative standard is needed. A student who is maintaining a high grade point average (GPA) by withdrawing from every course he/she attempts after the first year would meet a qualitative standard, but wouldn't be progressing

towards graduation. Therefore, the SAP policy must also include a quantitative measure to determine the number or percentage of courses or credit hours completed.

For guidance in revising your standards, LU was notified that it may refer to the Department's Quality Assurance FSA Assessment web site at <http://www.ifap.ed.gov/qahome/fsaassessment.html>.

Further, the institution was required to develop and submit with its response, procedures which will ensure that, in the future, SAP standards will be consistently applied to all students.

LU was also required to notify all current and prospective students as well as Faculty and staff responsible for monitoring SAP of changes to its SAP standards and how those changes may impact one's course load.

**LU's response:** In its response, LU revised its SAP policy to remove the phrase "normally" from its published SAP literature. LU set stricter standards for its quantitative SAP component and has notified all faculty, staff and current as well as prospective students of the changes.

**Final Determination:** The Department has reviewed LU's SAP procedures and forms. Based on the submission, this finding is closed.

#### **Finding 9: Current Year Funding Used To Pay Prior Year Charges**

**Citation:** 34 C.F.R. § 668.164(d)(2) states an institution may use Title IV, HEA program funds to credit a student's account to satisfy-

1. Current year charges;
2. Tuition and fees; and
3. Room and board, if the student contracts with the institution for room and board; and
4. Prior award year charges, not to exceed \$200 for tuition and fees and room and board with the student or parent's authorization.

**Noncompliance:** Student #1's account ledger shows a prior year balance from the 2009-2010 award year in the amount of \$1,331, as of June 30, 2010. LU applied 2010-2011 funds from the FPELL and FDL subsidized and unsubsidized programs toward this balance on August 31, 2010 and November 17, 2010 respectively.

Student #3 received a unsubsidized FDL disbursement in the amount of \$4,165 on January 5, 2009 (2009-2010 award year). The student's account ledger shows a balance of \$1,575, which was paid on August 3, 2009 from 2010-2011 award year funds.

**Required Action Summary:** In its response to this report, LU was required to update and submit to the Department its procedures on how it will prevent prior year charges from being paid with current year funds for Title IV recipients.

**LU's Response:** LU stated in its response that the cited finding is not an irregularity of the procedures, but rather an inadequate knowledge of the business office of the Title IV regulations at the time. During the 2011-2012 award-year, the two occurrences that were found resulted from having a verbal authorization to hold funds without securing proper written authorization. The controls that are in place now eliminates the possibility of this finding occurring because we process credit balances within five business days of the creation of the credit balance on the student's account or written authorization to hold credit balance is collected from the student.

**Final Determination:** LU also submitted its Credit Balance Policy and Procedures. Based on a review of the institution's response and a review of its Credit Balance Policy and Procedures, this finding is closed.

#### D. Summary of Liabilities

Established Liabilities				Totals
Liabilities	Pell (Closed Award Year)	FSEOG	DL / FFEL	
Finding 2	\$1,100	\$0	\$0	\$1,100
<b>Subtotal 1</b>	\$1,100	\$	\$	
Interest/SA	\$ 14			\$ 14
<b>Subtotal 2</b>	\$1,114	\$	\$	
<b>TOTAL</b>	\$1,114	\$	\$	
<b>Payable To:</b>				
Department	\$1,114			\$1,114

## **E. Payment Instructions**

### **1. Liabilities Owed to the Department**

LU owes to the Department \$1,114. Payment must be made by forwarding a check made payable to the "U.S. Department of Education" to the following address within 45 days of the date of this letter:

U.S. Department of Education  
P.O. Box 979026  
St. Louis, MO 63197-9000

Remit checks only. Do not send correspondence to this address.

**Payment must be made via check and sent to the above Post Office Box. Payment and/or adjustments made via G5 will not be accepted as payment of this liability. Instead, the school must first make any required principal adjustments in COD as required by the applicable finding(s) and Section II – Instructions by Title IV, HEA Program (below), remit payment, and upon receipt of payment the Department will apply the funds to the appropriate G5 award (if necessary).**

The following identification data must be provided with the payment:

Amount: \$1,114  
DUNS: 071565477  
TIN: 560650621  
Program Review Control Number: 2012-4-04-28026

As a result of this final determination, the Department has created a receivable for this liability and payment must be received by the Department within **45 days of the date of this letter**. If payment is not received within the 45-day period, interest will accrue in monthly increments from the date of this determination, on the amounts owed to the Department, at the current value of funds rate in effect as established by the Treasury Department, until the date of receipt of the payment. LU is also responsible for repaying any interest that accrues. If you have any questions regarding interest accruals or payment credits, contact the Department's Accounts Receivable Group at (202) 245-8080 and ask to speak to LU's account representative.

If full payment cannot be made within 45 days of the date of this letter, contact the Department's Accounts Receivable Group to apply for a payment plan. Interest charges and other conditions apply. Written request may be sent to:

U.S. Department of Education  
OCFO Financial Management Operations  
Accounts Receivable Group  
550 12th Street, S.W., Room 6114  
Washington, DC 20202-4461

If within 45 days of the date of this letter, LU has neither made payment in accordance with these instructions nor entered into an arrangement to repay the liability under terms satisfactory to the Department, the Department intends to collect the amount due and payable by administrative offset against payments due LU from the Federal Government. **LU may object to the collection by offset only by challenging the existence or amount of the debt.** To challenge the debt, LU must **timely appeal** this determination under the procedures described in the "Appeal Procedures" section of the cover letter. The Department will use those procedures to consider any objection to offset. **No separate appeal opportunity will be provided.** If a timely appeal is filed, the Department will defer offset until completion of the appeal, unless the Department determines that offset is necessary as provided at 34 C.F.R. § 30.28. This debt may also be referred to the Department of the Treasury for further action as authorized by the Debt Collection Improvement Act of 1996.

**Adjustments in COD must be completed prior to remitting payment to the Department. Payment cannot be accepted via G5. Once the Department receives payment via check, the Department will apply the principal payment to the applicable G5 award. The interest will be applied to the general program account.**

A copy of the adjustment to each student's COD record must be sent to David Smittick within 45 days of the date of this letter. Please forward the adjustment confirmation to:

David Smittick  
Senior Institutional Review Specialist  
U.S. Department of Education  
61 Forsyth, Room 18T40  
Atlanta, GA 30303-3104

Or by email to [David.Smittick@ed.gov](mailto:David.Smittick@ed.gov).